UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/50/985
26 June 1996

ORIGINAL: ENGLISH

Fiftieth session
Agenda items 113 and 138 (a)

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS: FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Management of peace-keeping assets: surplus asset storage facilities and mission start-up kits

Management of peace-keeping assets: surplus asset storage facilities and mission start-up kits at the United Nations Logistics Base, Brindisi

Management of peace-keeping assets: policy, technique and accounting issues

Inventory control system for non-expendable property at Headquarters

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the above subjects contained in documents A/49/936, A/50/907, A/50/965 and A/C.5/50/51. During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided clarifications and additional information.

2. The Advisory Committee points out that the four reports presented by the Secretary-General relate essentially to the same subject, complement each other and should be read in conjunction with each other. Having been prepared in different offices, the reports reflect, in the view of the Committee, a compartmentalized approach to the matter, which has resulted in several

repetitions in the presentation of the information included in the reports. The documents also indicate the lack of a comprehensive approach in inventory and asset management. For example, paragraph 4 of the report of 29 May 1996 (A/50/965) is to a large degree a duplication of paragraph 24 of the report of 3 July 1995 (A/49/936). This could have been avoided, in the opinion of the Committee, if the Secretariat had prepared just one, or maximum two reports, on the issue under consideration.

Management of peace-keeping assets: surplus asset storage facilities and mission start-up kits at the United Nations Logistics Base, Brindisi

3. The report of the Secretary-General on surplus asset storage facilities and mission start-up kits (A/49/936) was submitted pursuant to General Assembly resolution 49/233 of 23 December 1994, which endorsed the request of the Advisory Committee for further information regarding the financial and personnel arrangements, cost parameters, legislative justification, issues of ownership and inventory control of stocked equipment, accounting procedures and alternatives for mission start-up kits, as well as the use of the Brindisi logistics base for storage and maintenance.

4. The actions the General Assembly may wish to take in respect of the report of the Secretary-General on surplus asset storage facilities and mission start-up kits (A/49/936) are outlined in paragraph 32 of the report.

5. In paragraphs 7 to 11 of his report, the Secretary-General provides background information on the creation of a revolving reserve stock of basic equipment to support United Nations peace-keeping operations. As indicated in paragraph 8, the Organization was in possession of substantial amounts of reusable and temporarily surplus equipment and supplies valued at about $100 million. An analysis of the capacity of the Organization to store the reserve stock of basic equipment in the United Nations Supply Depot in Pisa or in facilities of some longer-established missions such as the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Peace-keeping Force in Cyprus (UNFICYP) is contained in paragraph 10 of the report. The Advisory Committee concurs in the conclusion of the Secretary-General's analysis that these alternatives do not represent viable options for the purpose of maintaining the start-up kit reserves or for supervising the overall management of the Organization's surplus stock of reusable equipment for peace-keeping operations. The Committee understands that the Supply Depot in Pisa, for which the regular budget funds amounting to $1,151,900 were initially appropriated for the biennium 1996-1997, is no longer used for storage of United Nations peace-keeping assets.

6. The concept of "start-up kits" is outlined in paragraphs 12 to 17 of the report. The Advisory Committee notes from paragraph 13 that, based on the experience of mid-1993, it is the intention of the Secretariat to maintain five start-up kits for 100-person missions in reserve, preconfigured and stocked in ways to facilitate immediate packing and shipment when the need arises. Annex II to the report contains a list of the components proposed for inclusion in a mission start-up kit at an estimated total value of $3.4 million. The

Committee points out, in this connection, that the actual cost of start-up kits may vary significantly depending on the composition and condition of the available surplus assets at the Logistics Base in Brindisi. The Committee notes from paragraph 15 of the report that work is under way at present to open, inspect and inventory the containers holding surplus equipment and supplies sent to the United Nations Logistics Base in Brindisi from Somalia and Mozambique. The Committee was informed that the inventory would be completed in the near future.

7. The Advisory Committee was also informed, upon request, that it was possible to compile approximately 60 per cent of one start-up kit using the surplus equipment and supplies stored at the United Nations Logistics Base in Brindisi; the remaining 40 per cent relate mainly to accommodations and vehicles not available at the Base.

8. The Committee was informed, on request, that the estimate of inventory at the Base of $76 million was based on the original acquisition cost of items held there in late 1995. Since then, considerable inventory has been issued to existing missions or written off. It is now estimated that the current inventory does not exceed $20 million at original acquisition value. The Base is also conducting an extensive review of the remaining inventory to determine its serviceability and expected useful life. It should be noted that serviceable equipment held at the Base is often not what is required for start-up kits. For example, in late 1995, the Base held over 3,000 vehicles. Issues and write-offs have reduced that to 502 units on hand, one half of which are motorcycles and water trailers and the remainder specialist vehicles and vehicles with limited useful life. None of these is required for start-up kits. Sufficient helmets, flak jackets and photocopiers are available for five start-up kits, but only two complete communications start-up kits can be produced. It is anticipated that the remaining 40 per cent of the first kit and the four other kits could be identified from surplus serviceable stock being shipped from the liquidating missions (the United Nations Assistance Mission for Rwanda (UNAMIR) and the United Nations Peace Forces (UNPF)). Any shortfall can be met only through procurement. At the present time, it is not possible to determine the value of the items to be purchased. Further, any excess stock not needed for start-up kits will be issued to existing missions on an "as required" basis or disposed of in accordance with existing regulations, if there are no forecast requirements or if it will not be cost-effective to maintain and retain it in the inventory of the Logistics Base.

9. The mechanism for the establishment and replenishment of start-up kits, which is described in paragraphs 15 and 16 of the report, provides that usable surplus equipment and supplies will form start-up kits and any additional resources that would be required to procure any items for the kits not available through surplus would be financed from the budgets of current and new peace-keeping operations; once the stock of start-up kits has been established, it will be maintained by replenishment from the budgets of those missions which have received the kits. The Advisory Committee agrees with the proposed mechanism for the establishment and replenishment of start-up kits. At the same time, the Committee trusts that the proposals made by the Secretary-General on procedures and guidelines for the transfer of equipment and supplies from peace-keeping missions to the Logistics Base in Brindisi would ensure, when

implemented, that only serviceable equipment and usable supplies are stored at the Base (see also paras. 34 and 35 below).

10. Paragraphs 18 to 31 of the report contain information relating to the establishment, functions and administration of the United Nations Logistics Base in Brindisi. It is recalled that the General Assembly, in section XIV of its resolution 49/233, welcomed the establishment at Brindisi, Italy, of the first permanent United Nations logistics base to support peace-keeping operations, the premises of which had been put at the disposal of the Organization at no cost.

11. The Advisory Committee notes that during the period from 23 November 1994 to 31 December 1995 a total of $3,208,000 was expended on the Logistics Base from the budgets of UNPF ($2,778,000), the United Nations Operation in Somalia (UNOSOM) ($200,000), the United Nations Operation in Mozambique (ONUMOZ) ($140,000) and the United Nations Angola Verification Mission (UNAVEM) ($90,000). The Committee regrets that a report has not been submitted until now by the Secretariat with proposals on the funding and administration of the Base. The Committee trusts that such lapses in budgetary procedure will not recur in future.

12. Expenses related to the Logistics Base cover, as stated in paragraph 20 of the report, utilities, alterations to premises to suit United Nations purposes, a modest maintenance charge by the Government of Italy, maintenance of premises used exclusively by the United Nations, costs of handling, refurbishing and shipping United Nations assets and the staff to manage the operation.

13. The principal functions to be served by the Base, as outlined in paragraph 22 of the report, consist mainly of the following: (a) to receive, inspect, repair as necessary and store surplus assets from closing or downsizing peace-keeping operations; and (b) to maintain a reserve of equipment and supplies (drawn initially from available surplus assets) in the form of mission start-up kits. The Advisory Committee points out that one of the principal functions stated in the report, namely that of a "rear logistics" base for UNPF in the former Yugoslavia, is no longer performed by the United Nations Logistics Base.

14. The Advisory Committee notes from paragraphs 23 and 24 of the report that the Logistics Base will be performing a central coordinating activity and a broad oversight and control function for the assets of peace-keeping operations in general. The Committee was informed that even when the functions of central coordination, broad oversight and control of assets of peace-keeping operations were assigned to the Base, overall administrative control and responsibility for the movement of such assets would remain with Headquarters in New York. Inventories of the individual missions will be electronically linked to the Logistics Base master inventory, which will reflect the quantity, location and condition of all equipment and supplies, along with the availability of any surplus for further reissue. The Advisory Committee understands that for these functions to be successfully implemented by the Logistics Base, the Organization will have to purchase and install sophisticated data-processing equipment.

15. The Advisory Committee notes from paragraph 26 of the report that the activities of the United Nations Logistics Base will require some flexibility

and adaptability to changing requirements, depending on the status of active peace-keeping operations, and that the size of the Base staff and budget may have to expand, including resort to contractual services, to meet the increased demands at times when missions are starting or demobilizing. The Committee agrees with such an approach.

16. With regard to the planned provision of office and storage facilities for mission start-up or demobilization teams referred to in paragraph 26 of the report, the Advisory Committee was informed, upon request, that additional support staff required to perform the "surge" activities related to the deployment of newly established missions or liquidation of completed ones could be provided offices and storage facilities at the United Nations Logistics Base on an "as required" basis.

17. The Advisory Committee shares the concern expressed in paragraph 28 of the report that as some of the large missions close, the Organization may be placed in a situation where it must arrange for storage and maintenance of a far larger quantity of assets than may reasonably be required to support ongoing or future missions. The Committee concurs with the Secretary-General that it may be necessary to establish standards for the maximum levels of stocks to be retained and that it may also prove beneficial to delineate standards for the quality of assets to be retained for future use, so as to enable local disposal of substandard equipment and preclude shipment to the United Nations Logistics Base. The Committee recommends, therefore, that such standards be established expeditiously and reflected in the next budget submission for the Logistics Base. The Committee also recommends that a cost-benefit analysis be carried out regarding the operation of the Base, taking into account the total value of assets managed by it and other services it is rendering to the United Nations. The Secretary-General should report to the General Assembly in this regard as soon as possible.

18. The report of the Secretary-General of 1 April 1996 (A/50/907) contains the budget and long-term financing arrangements for the United Nations Logistics Base; as reflected in paragraph 5, since the signing of the memorandum of understanding on 23 November 1994, the financing of the Base has been met on an ad hoc basis and from within the existing peace-keeping operations budgets, primarily UNPF, for which the Base provided rear logistics support. Expenditures in the amount of $3.2 million were incurred to cover the start-up costs for the period from 23 November 1994 to 31 December 1995. Those expenditures were reflected in performance reports for UNPF (A/50/696 and A/50/696/Add.2) and UNOSOM (A/50/741) and will be reflected in the performance reports for ONUMOZ and UNAVEM to be issued later in 1996.

19. The cost of maintaining the United Nations Logistics Base for the six-month period from 1 January to 30 June 1996 is estimated at $4.1 million gross, as reflected in paragraph 6 of the report (A/50/907). Annex I to the report provides a breakdown of the cost estimates by object of expenditure. The Advisory Committee notes from paragraph 7 of the report the proposed conversion of the essential staffing requirements from general temporary assistance to mission posts. The Committee was informed, upon inquiry, that from its inception the Base had been operating on an ad hoc basis with up to 38 staff funded from general temporary assistance. The Secretary-General is now

proposing to establish 33 posts for the core staff required to administer the Base. The Committee has no objection to this proposal.

20. The Advisory Committee notes from paragraph 11 of the Secretary-General's report that it is proposed that the same ad hoc arrangements in place since inception be continued through 30 June 1996 and that the expenditures will be included in the performance reports of each mission. The Committee recommends that the General Assembly take note of the extension of the ad hoc arrangement for the financing of the Base throughout the period ending on 30 June 1996.

21. The cost estimates for the maintenance of the Base during the 12-month period from 1 July 1996 to 30 June 1997 amount to $7.9 million gross. A summary of the cost estimates and supplementary information thereon are contained in annexes I and II to the report. The cost estimates of $7.9 million gross are based on a total of 16 international and 17 local staff and include, inter alia, a provision for the payment of mission subsistence allowance to international staff; annex IV contains a breakdown of the proposed staffing table by grade and office. The Committee intends to review the number and configuration of this initial establishment on the basis of experience. In this connection, the Secretary-General is requested to review staff levels by functional requirement and report in the context of his next budget submission on the Brindisi base.

22. The Advisory Committee notes from paragraph 1 of part B, annex II, that the entitlement to mission subsistence allowance will cease with effect from the date of the reclassification of the Base as a family duty station, which should occur when the Base becomes fully operational. The Committee was informed, upon request, that for the Base to become fully operational, it should be provided with a regular rather than an ad hoc financial and administrative arrangement in the form of an approved budget and staffing structure. It is the Committee's understanding that the payment of mission subsistence allowance will cease immediately or shortly after approval of the budget by the General Assembly.

23. With regard to a provision for petrol, oil and lubricants for 64 United Nations-owned vehicles, the Committee finds the assumption of an average consumption of 20 litres per vehicle per day excessive and therefore requests the Secretary-General to look into the matter with a view to reducing the consumption of petrol, oil and lubricants by the fleet of United Nations vehicles at the Base.

24. The Committee notes from paragraph 10 of part B, annex II, that a provision of $2.8 million is made for contractual services in connection with the work involved in the receipt, sorting and refurbishment of equipment, preparation of start-up kits and inventory management. The budget submission does not contain detailed workload indicators for various types of work to be performed by contractors; the Committee recommends, therefore, that this should be reflected in the future budget proposals for the Base.

25. With regard to the mechanism of financing the United Nations Logistics Base during the period from 1 July 1996 to 30 June 1997, the Advisory Committee recommends that the General Assembly approve the cost estimates for the Base in the amount of $7,875,000 gross to be prorated among the individual peace-keeping operation budgets. However, such additional appropriation for this purpose as

may be required should be justified by the Secretary-General in the context of the performance reports of the relevant peace-keeping operations.

Management of peace-keeping assets: policy, technique and accounting issues

26. The report of the Secretary-General of 29 May 1996 on policy, technique and accounting issues (A/50/965) was submitted pursuant to General Assembly resolution 49/233, which requested the Secretary-General to report on peace-keeping operations asset management, including the feasibility of procedures for valuation and transfer of costs for assets to be redeployed from a peace-keeping operation during its liquidation phase to other peace-keeping operations or other United Nations bodies, and for reimbursement to the special account for the liquidating operation. In its resolution 50/204 C of 23 December 1995, the General Assembly requested the Secretary-General to expedite submission of the report containing, inter alia, proposals for establishing:

(a) An appropriate policy for the physical verification of all assets and liabilities of a mission in liquidation before its assets are disposed of and its liabilities discharged;

(b) Standard procedures for the transfer of assets and the acknowledgement of assets transferred to other missions and other United Nations entities;

(c) Standard procedures for the valuation of all assets of a mission in liquidation as well as an appropriate policy for the financial accounting of transfers of assets for consistent application in all peace-keeping operations.

The report of the Secretary-General also addresses issues raised by the Board of External Auditors in its report. 1/

27. The Advisory Committee notes from paragraph 2 of the Secretary-General's report that the Secretariat is developing, through practice, an assets management system that is intended to balance the requirements of preparedness with cost-effectiveness and of flexibility with full accountability; furthermore, the Committee notes therein the conclusion that the cross-referencing of the United Nations Common Coding System and the North Atlantic Treaty Organization (NATO) Codification System is essential if the United Nations is to be able to produce accounting reports of all the Organization's assets.

28. The Advisory Committee was informed that the NATO Codification System was designed for inventory control of millions of line items of equipment components and related parts for the military supply system. The System relies on an elaborate and expensive electronic data-processing infrastructure and is supported by a substantial number of highly qualified logistics and computer personnel of the NATO member countries. The Committee regrets that the report of the Secretary-General does not contain any information on the cost of introducing, administering and maintaining the System. The Committee was provided, upon request, with additional information on the System, which is reproduced as an annex to the present report.

29. The overall strategy of management of peace-keeping assets is outlined in paragraphs 3 to 8 of the report of the Secretary-General. In connection with the proposed responsibility of the Base as a centralized facility for the receipt, inspection, inventory and issue of equipment and supplies to and from missions (para. 3), the Advisory Committee understands that this responsibility will cover, at the present stage, only surplus assets from closed and/or downsized missions.

30. The Committee shares the view of the Secretary-General reflected in paragraph 5 of his report that an accurate master inventory is important not only for control of existing assets but also as an integral component of an effective procurement system; indeed, it is the most important component of such a system. The Committee also believes that it is important that inventory control start at the point of origin of the purchase, that is, with the procurement entity in the field or at Headquarters. This ensures that what is bought is identified at source and then recorded against a unique number, which can then be matched against the physical receipt and finally issued to the ultimate user. This fundamental internal control is necessary to guard against waste and loss. If the continuity of this chain is broken, it may significantly impair, in the opinion of the Committee, accountability and control over the Organization's peace-keeping assets.

31. As reflected in paragraph 7 of the report, an item codification project is currently under consideration, which would introduce a common supply language within the United Nations peace-keeping operations, based upon the NATO Codification System. The Advisory Committee points out that the report does not contain a comprehensive analysis of the existing United Nations Common Coding System, which is used not only by United Nations Headquarters and the main duty stations, but also by organizations, agencies and programmes of the United Nations system. The Committee also points out that the codes of the United Nations Common Coding System have been adopted by the United Nations automated procurement system REALITY, which will be integrated with IMIS during the current biennium.

32. Under the circumstances, the Advisory Committee is not yet convinced of the need for the development of a separate cataloguing and codification system for managing peace-keeping operations assets.

33. The Advisory Committee notes from paragraph 8 of the report that the item codification project is being undertaken on a six-month trial basis. In that connection, the Committee recommends that, before a decision is taken to utilize the NATO Codification System on a permanent basis, the results of the project be reported to the General Assembly, together with a comprehensive analysis of all possible alternatives to the development of a new codification system. The Committee also trusts that the Technological Innovations Board will play its role in reviewing the matter.

34. In paragraphs 9 to 16 of his report, the Secretary-General outlines the methodology for the accounting and transfer of peace-keeping assets, the main elements of which are as follows:

(a) Upon receipt for storage by the Logistics Base, all assets will be officially transferred from the inventory of the sending mission to the inventory of the Base;

(b) Inventory responsibility follows the physical movement of property as it is redeployed, including periods of storage for future use;

(c) Inventory is included in the financial accounts at initial purchase price, until eventual disposal;

(d) Inventory records for start-up kits deployed to a mission will be transferred to that mission and the records for the replacement equipment procured against that mission's budget will be added to the inventory of the Base;

(e) Assets will be transferred without reimbursement to the source.

The Advisory Committee concurs with the above methodology for the accounting and transfer of peace-keeping assets.

35. Paragraph 17 of the report contains a recommendation that the assets purchased for peace-keeping operations be transferred or redeployed to the United Nations Logistics Base and other field missions funded by assessed contributions with no additional cost to Member States; when such assets are disposed of or otherwise transferred by sale to activities not funded by assessment the residual value should be determined and reported to the General Assembly. Furthermore, the Secretary-General has recommended that any equipment procured by the United Nations with assessed contributions be made available (once no longer required for its original purpose) for use by any other United Nations activity funded from assessed contributions without entering into additional financial transactions, as long as that activity can demonstrate an operational need for such equipment; however, redeployments to and from activities funded from voluntary contributions would be charged at depreciated rates (para. 18). The Advisory Committee recommends that the General Assembly endorse these recommendations of the Secretary-General.

Inventory control system for non-expendable property at Headquarters

36. In its resolution 49/216 A of 23 December 1994, the General Assembly endorsed the view of the Board of Auditors contained in the report of the Board (A/49/214, annex) that the current inventory control system was deficient and unreliable, and requested the Secretary-General and the relevant executive heads of the United Nations organizations and programmes to address those issues accordingly.

37. In paragraph 2 of his report of 28 February 1996 (A/C.5/50/51), the Secretary-General identified four main concerns, as follows:

(a) Property accountability should be transferred to end-users;

(b) Correcting the deficiencies and updating inventory records will require a physical inventory of non-expendable property;

(c) The value of the cumulative inventory of non-expendable property is unreliable;

(d) The inventory controls and property records for non-expendable property are deficient and unreliable.

38. Paragraph 3 of the report provides the following definition of non-expendable property:

(a) Property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years;

(b) Special property items considered to be of an attractive nature and easily removable from premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of five years or more;

(c) Group inventory items with a serviceable life of five years or more irrespective of value.

39. With regard to property accountability, the Advisory Committee welcomes the intention of the Secretary-General, in accordance with the provisions of financial rules 110.25 and 110.26, to delegate to each head of department and office authority over property assigned to that department or office.

40. The Advisory Committee notes from paragraph 7 of the report that an initial comprehensive physical inventory of non-expendable property was conducted at Headquarters from June to August 1995. The Committee trusts that the exercise will be extended to United Nations offices away from Headquarters.

41. The Advisory Committee also notes that all property located at Headquarters owned or loaned to the United Nations except leased property or that which has been leased with an option to purchase has been recorded. In that connection, it was informed that the inventory included property procured by the United Nations regardless of source of funding. With regard to property leased by the United Nations with an option to purchase, the Committee was informed that procedures had been established to include such property in the inventory once the decision to exercise the option had been made.

42. In paragraph 10 of the report it is indicated that comprehensive physical inventories will be conducted by each department and office every two years. Upon inquiry, the Advisory Committee was informed that although the two-year period was not directly connected to programme budgets, it would help to determine the needs of departments when preparing their budgets. In this connection, it is the view of the Committee that the conduct of physical inventories should be used as a tool for efficient use of programme budgets and the results of such use should be reflected in the programme budgets.

43. Paragraph 11 of the report covers the value of property in the inventory. The Advisory Committee notes that while values of property in the initial

physical inventory were based on the original record where these were available, where such records were not available, estimates were made based on past experience and market costs.

44. The Advisory Committee notes from paragraph 13 of the report that property has been recorded by using the United Nations Common Coding System, the codes of which have been adopted by the United Nations automated procurement system REALITY to ensure uniform classification of commodities.

45. Paragraph 14 of the report covers guidelines and instructions on the procedures for property management and inventory control at Headquarters. Upon inquiry as to how the control system would work, the Advisory Committee was informed that the Property Management Unit in the Buildings Management Service, Office of Conference and Support Services, which is responsible for overseeing the central inventory at Headquarters, would coordinate the physical inventories conducted by departments and offices and would provide the necessary equipment, supplies, training and other information related to the physical inventory.

Notes

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5), vol. II.

ANNEX

Response by the Secretariat to the request by the Advisory Committee on Administrative and Budgetary Questions for additional information on management of peace-keeping assets

1. During its consideration of the Secretary-General's report on policy, technique and accounting issues of 29 May 1996 (A/50/965), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) raised a number of questions relating to an asset management strategy, the development of a matériel management system and the use of NATO codification. The present paper provides responses and clarifications to the questions raised.

2. The proliferation of peace-keeping operations has highlighted the need for a comprehensive asset management system that must be capable of accounting for the numerous categories of equipment and spares used in field missions. The system presently in use in the United Nations was designed primarily for limited categories of equipment and not the full range of assets used in peace-keeping operations.

3. The report of the Secretary-General (A/50/965) is thus a response to the problem and an effort to present an asset management strategy, including proposals for the development of a materials management system, that would be capable of accounting and monitoring the huge volume and wide variety of peace-keeping assets.

4. The essential aspect of such a system, based on the principles of transparency and accountability, requires the establishment of an automated cataloguing system that would permit field missions and Headquarters to make informed decisions regarding detailed inventory management, redistribution and disposal in a timely and efficient manner based on equipment location, condition and identification. This cataloguing system must be uniform and common throughout peace-keeping operations in the manner in which it uniquely identifies, classifies and numbers each item of inventory. Each item would have a unique name (e.g. generator), a unique identification (generator, gasoline, 5.0 KVA) and a unique stock number (6115-00-017-8240). Additionally, the system would consist of a database containing information to facilitate specific item replacement as required, as well as acquisition of spare parts.

5. In the process of considering existing systems to provide this facility, the Department of Peace-keeping Operations reviewed the existing United Nations Common Coding System developed and maintained by the Inter-agency Procurement Services Office. As stated in the UNCCS Thesaurus of March 1994, this coding was developed as a practical tool for procurement and related activities to facilitate the simplification of statistical reporting and the interchange of information on the sources of supply and to develop a common vendor database of verified supply sources. It provided only generic - not unique - commodity numbers suitable for procurement only, not specific item identification for asset management. It did not support creation of a global "item-specific" inventory database since it did not meet the requirement of "one item - one

number". For example, there are thousands of generators of many different types with different technical and performance specifications in the current worldwide peace-keeping inventory. The United Nations Common Coding System allots only 13 codes for generators, providing only generic reference to a range of performance capabilities. Thus if a mission or Headquarters wished to identify mission or global holdings of 5.0 KVA gasoline generators, the System could not do so since the identification is generic. The proposed cataloguing system can be this specific. Such a specific capability is essential in determining financial estimates and in calculating asset disposal and replacement programmes.

6. In its Secretariat information paper of January 1995 on maintenance of the United Nations Common Coding System, the Inter-agency Procurement Services Office did recognize the deficiencies of the System and proposed to upgrade it at an estimated annual cost of $600,000. However, upgrading will not address the operational requirements for detailed accounting and transparency. Information would continue to remain generic in nature. These improvements do not provide for the development of what is a labour-intensive system to produce the specific and unique data necessary for a proper asset management programme. Since the Office's proposals do not cover the core requirements for peace-keeping inventory accounting, it is felt that the capital cost of developing such a system from scratch would be substantial and thus well in excess of $600,000.

7. In view of the above deficiencies, the Department of Peace-keeping Operations turned to the only other existing inventory cataloguing procedure, the NATO Codification System, which provided a capability for use in peace-keeping operations. This system provides the unique stock numbers and specific item description and technical database that could facilitate the establishment of a global inventory. It has integration capability with the existing United Nations REALITY inventory and asset control system in operation in all field missions. Of the 76 countries currently subscribing to the NATO Codification System, 29 assign their own stock numbers to the system and are using the system data for their matériel management systems; 43 are system data users and 4 have requested sponsorship within the system. The current cost to the United Nations to utilize the service of this codification system is approximately $10,000 annually, as the specialists involved in establishing the initial database are being provided free of charge.

8. The proposed use of the NATO Codification System should be viewed from the perspective of the final output likely to be achieved. The parameters requiring the development and maintenance of an effective inventory database do not offer substantively different options. A good system must have equipment details, that describe the item at the generic level, while providing information on the make, model numbers, capacity (such as kilowatts, tonnage, etc.) and volume data. Further, an inventory management system should have the ability to provide the user with the necessary information to locate it, move it and reposition it. The NATO Codification System provides all of the foregoing together with the added ability to provide the United Nations modifications for use in peace-keeping operations. Thus it makes sound economic sense at least to consider use and modification of an existing system that has already been fully developed and will not be a burden on the resources of the United Nations. This

approach is not based on any other consideration, nor would it be used in relation to United Nations procurement activities.

9. Against this background, a matériel management system is being proposed for development. This system, consisting of an initial database, will total approximately 16,000 accountable and attractive items and is forecast to be completed by July 1997. These 16,000 specific items reflect an estimated 20 per cent in quantity of the total inventory but constitute an estimated 75 per cent in value. It is estimated that after July 1997 two international Professional staff members will be required at the United Nations Logistics Base in Brindisi to maintain the existing database and to continue the cataloguing of new inventory using these procedures. To develop an entirely new cataloguing system, to be separate from the current NATO or the Inter-agency Procurement Services Office systems, meeting the specific requirements indicated in paragraph 4 above, yet remaining compatible with the existing REALITY automated inventory control systems, would require several years of labour-intensive work involving a considerable number of Professional technical personnel (with the concomitant increased costs) and would substantially delay the creation of an effective asset management system worldwide. It is not possible to provide an exact estimate of the cost of developing an entirely new cataloguing system since this would require extensive research.

10. Finally, it should be stated that this cataloguing project is designed as an asset management tool only. It is not to be used for procurement purposes. Each specific catalogue number would be cross-referenced to the generic Inter-agency Procurement Services Office number. Requisitions transmitted to the Purchase and Transportation Division and field procurement sections would reflect only the Inter-Agency Procurement Services Office number and generic specifications. In this manner the Purchase and Transportation Division or Procurement Services would arrange purchase through international bidding and prospective commercial suppliers would thus be limited only by their ability to meet Purchase and Transportation Division/Inter-agency Procurement Services Office specifications, not by any other cataloguing specification detail.

UNITED
NATIONS

A S

General Assembly
Security Council

Distr.
GENERAL

A/50/986
S/1996/474
3 July 1996
ENGLISH
ORIGINAL: ARABIC

GENERAL ASSEMBLY
Fiftieth session
Agenda items 42, 44, 66 and 73
QUESTION OF PALESTINE
THE SITUATION IN THE MIDDLE EAST
ESTABLISHMENT OF A NUCLEAR-WEAPON-FREE ZONE IN THE REGION OF THE MIDDLE EAST
THE RISK OF NUCLEAR PROLIFERATION IN THE MIDDLE EAST

SECURITY COUNCIL
Fifty-first year

Note verbale dated 1 July 1996 from the Permanent Mission of Egypt to the United Nations addressed to the Secretary-General

The Permanent Mission of the Arab Republic of Egypt to the United Nations presents its compliments to the Secretary-General and has the honour to transmit herewith a letter addressed to him by Mr. Amre Moussa, Minister for Foreign Affairs of the Arab Republic of Egypt, concerning the outcome of the Arab Summit held in Cairo from 21 to 23 June 1996.

The Permanent Mission requests that the present letter and its annex be circulated as a document of the General Assembly and of the Security Council.

The Permanent Mission of the Arab Republic of Egypt takes this opportunity to convey to the Secretary-General the assurances of its highest consideration.

96-16713 (E) 050796 050796 110796

/...

ANNEX

Letter dated 23 June 1996 from the Minister for Foreign Affairs of Egypt addressed to the Secretary-General

The Arab Summit that has been meeting in Cairo over the past few days, that is to say from 21 to 23 June 1996, has now completed its work. The Arab leaders met to consider developments in the peace process in the Middle East, to begin a process aimed at remedying certain negative manifestations that have recently marred inter-Arab relations, and to stimulate inter-Arab cooperation.

With regard to the peace process, the Arab leaders affirmed their commitment to a peaceful settlement of the Arab-Israeli conflict on the basis of the principles agreed upon, stated that they would continue the endeavour to achieve a just and comprehensive peace in the Middle East and stressed that this position represented a goal and a strategic choice on their part. In this connection, the Arab leaders called for the resumption of the Arab-Israeli negotiations on all tracks.

In another respect, the Arab leaders expressed evident concern at the policy guidelines recently adopted by the new Israeli Government and at the statement made by the Israeli Prime Minister to the Knesset on 18 June last. They expressed apprehension that the positions set forth in the guidelines reflected a departure from the basic terms of reference agreed upon at the Madrid Conference, particularly the principle of land for peace. This may lead to a retreat from the implementation of the agreements reached by the Israeli and Palestinian sides in accordance with the Oslo accord.

Accordingly, it was necessary for the Arab leaders to call upon the new Israeli Government, without equivocation, to continue to abide by the letter and spirit of the principles agreed upon for the peaceful settlement of the Arab-Israeli conflict and to comply with the agreement reached by the parties concerned. In this context, they affirmed that a just and comprehensive peace must be based on the implementation of Security Council resolutions 242 (1967), 338 (1973) and 425 (1978) and on the principle of land for peace. The Arab leaders called upon Israel to affirm a reciprocal commitment to the peace process and its underlying principles, and they warned that any retreat by Israel from this process would have adverse consequences for stability and security in the region and would force the Arab States to reconsider the steps taken vis-à-vis Israel in the framework of the peace process.

The Arab Summit has sent a clear and unequivocal message that the Arab world is committed to the achievement of peace in the Middle East. At the same time, it has made it clear that this commitment requires a reciprocal commitment on Israel's part. The Summit also provided an opportunity for inter-Arab contacts, including the contacts held by President Hafez al-Assad with King Hussein and with President Yasser Arafat, which will doubtless be conducive to promoting the peace process in the Middle East and to strengthening inter-Arab cooperation.

I should like to inform you that President Mohamed Hosni Mubarak will be meeting with Israeli Prime Minister Netanyahu and with a number of Arab leaders and other Heads of State in order to discuss the future of the peace process and determine the nature of the next steps to be taken. In this context, I should be happy to consult with you on ways to advance the peace process and on the steps necessary to achieve a comprehensive peace and stability in the Middle East.

I enclose herewith the text of the final communiqué of the Summit, and I request you to have it circulated as a United Nations document.

(Signed) Amre MOUSSA
Minister for Foreign Affairs

APPENDIX

Final communiqué of the Arab Summit Conference
held in Cairo from 21 to 23 June 1996

At the invitation of His Excellency Mr. Mohamed Hosni Mubarak, President of the Arab Republic of Egypt, the Arab Heads of State held an Arab Summit Conference in Cairo from 21 to 23 June 1996.

The Arab leaders expressed their strong approval of the opening address made by President Mubarak in his capacity as Chairman of the Conference, and they decided that the text of the address should be issued as a document of the Conference.

Acting in response to the hopes and aspirations of the Arab nation and out of faith in its common destiny and placing their trust in the bonds of Arab brotherhood, the Arab leaders met together, in the light of the current critical stage in the Middle East peace process, to consider new developments in the region, to give new life to joint Arab action and to strengthen and enhance the effectiveness of inter-Arab consultation, coordination and cooperation in an endeavour to invigorate and rally the Arab nation, to develop Arab solidarity as a means of realizing the purposes and principles of joint Arab action and to mobilize the potential of the Arab nation in order to protect its interests, recover its impugned rights and enhance efforts for a just and comprehensive peace in the Middle East.

In the light of their responsibility to the Arab nation, the Arab leaders affirm that the achievement of a just and comprehensive peace in the Middle East, in accordance with Security Council resolutions 242 (1967), 338 (1973) and 425 (1978) and the principle of land for peace, requires: the complete withdrawal of Israel from all the occupied Palestinian territories, including Arab Jerusalem; the ability of the Palestinian people to exercise its right to self-determination and establish an independent State with Arab Jerusalem as its capital, given that the question of Palestine is at the core of the Arab-Israeli conflict; complete Israeli withdrawal from the Syrian Golan to the boundary of 4 June 1967; and complete and unconditional Israeli withdrawal from southern Lebanon and the Western Bekaa to the internationally recognized boundaries. In accordance with these principles, they call for the resumption of negotiations on all tracks without delay.

The commitment of the Arab States to continuing the peace process in order to secure a peace that is just and comprehensive represents a goal and a strategic choice to be achieved under international legitimacy. This requires a reciprocal commitment from Israel, stated in solemn and unequivocal terms, as well as action to carry through the peace process so that rights are restored, the occupied territories are returned and security for all the countries of the region is guaranteed in a balanced and equitable manner in accordance with the principles agreed upon at the Madrid Conference, and that of land for peace in particular, and the assurances given to the parties. The Arab leaders affirm that any violation by Israel of the principles on which the peace process is based and any retreat from or procrastination in fulfilling the commitments,

undertakings and agreements secured in that framework may cause a set-back to the process that brings with it such dangers and recriminations as will return the region to the maelstrom of tension and may compel all the Arab States to reconsider the steps taken vis-à-vis Israel in the context of the peace process. The Israeli Government alone would bear the entire responsibility for such a situation.

The Arab leaders further reaffirm their commitment to the United Nations resolutions requiring non-recognition and non-acceptance of any situation resulting from Israeli settlement activities in the occupied Arab territories, inasmuch as such activities are unlawful and create no rights and no obligations. They consider that the establishment of settlements and the introduction of settlers violate the Geneva Conventions and the Madrid framework and represent an impediment to the peace process. There should thus be a halt to all Israeli settlement activities in the occupied Syrian Golan and the occupied Palestinian territories, especially Jerusalem, and the settlements should be removed. The leaders affirm their rejection of any alteration to the physical characteristics or legal status of Arab Jerusalem, and they stress that a just and comprehensive peace in the Middle East can only be achieved by resolving the issue of Jerusalem and settling the problem of the Palestine refugees on the basis of their right to return in accordance with international legitimacy and the relevant United Nations resolutions.

In the light of the foregoing, and in order to ensure the success of the peace process on the Syrian, Lebanese and Palestinian tracks, the Arab leaders call upon the co-sponsors of the peace process, the members of the European Union, Japan, the members of the Movement of Non-Aligned Countries and other concerned States and upon the United Nations and other relevant international organizations and institutions to ensure that Israel does not violate the principles of the peace process and that it honours the undertakings it has given with regard to the agreements on interim arrangements and issues for the final status negotiations and to continue to provide the necessary political and economic support to the Palestinian people and the Palestinian Authority. In this connection, the leaders affirmed the need to end the blockade imposed by Israel on the Palestinian people.

The Arab leaders affirm their support for Lebanon in the context of the continuing Israeli attacks on its territory, its people and its sovereignty. They urge the international community to ensure that there is an immediate and unconditional halt to these attacks and an end to occupation and to hold Israel responsible for compensating Lebanon for all the damage inflicted on it.

The Arab leaders affirm that Israel must accede to the Treaty on the Non-Proliferation of Nuclear Weapons and place all its nuclear installations under the international inspection regime of the International Atomic Energy Agency. They also renew their call for the establishment in the Middle East of a zone free of weapons of mass destruction, and primarily nuclear weapons, that will encompass all the States of the region including Israel. They affirm their resolve to take the necessary steps to protect the region from the perils of such weapons and to spare it an arms race that would increase tension and waste the region's resources and capacities.

The Arab leaders emphasize that the achievement of a just and comprehensive peace in the Middle East is the real guarantee for ensuring the security of all the States of the region.

Given the importance of enhancing the global security of the Arab nation in order to meet the challenges to the sovereignty, territorial integrity and natural resources of the Arab States, and given the close linkage between global Arab security, taken in its widest sense and viewed as an indivisible whole, and the national security of each Arab State, the Arab leaders affirm their determination to promote Arab solidarity as the correct means of achieving the goals of joint Arab action based on respect for such cardinal principles of the inter-Arab order as respect for the sovereignty, independence and territorial integrity of States and for sovereignty over natural and economic resources, non-intervention in the internal affairs of other States, the peaceful resolution of bilateral problems between Arab States in accordance with the principles of international law, and respect for the principles of the Charter of the United Nations, the Pact of the League of Arab States and the agreements concluded within the framework of the League. They affirm that ensuring Arab national security, in its global sense, is the most effective means of safeguarding the integrity and protecting the interests of the Arab nation.

In the light of the common interests of the Arab States and the recent international developments that have prompted the creation of larger economic groupings, the Arab leaders affirm that the ability of the Arab States to enhance their role and strengthen their participation at the international level requires that Arab development be achieved, that a more active role be assigned to the institutions of joint Arab economic action and that the decisions adopted by those institutions be implemented. Accordingly, the Arab leaders have instructed the Council of the League and its Economic and Social Council to develop and implement integrated economic and social strategies and plans of action to allow the Arab nation to promote its higher economic interests and give it the ability to deal with its partners in the present world economic order on an equal footing.

With a view to strengthening the League of Arab States, the Arab leaders affirmed their resolve to enhance its standing and to assign it a more active role. They stressed the need for compliance with the Pact of the League and with League resolutions in order to safeguard the higher interests of the Arab nation. In this connection, the Arab leaders emphasized that it was essential for financial commitments to the League to be met.

In the context of their review of inter-Arab and regional issues:

The Arab leaders express their solidarity with Bahrain and their full support for the measures it is taking to ensure stability and security. They expressed strong disapproval of any interference in the internal affairs of Bahrain, and they affirmed that they would support it against any attempts at intimidation made by any party whatever. They call upon Iran to respect the sovereignty of Bahrain, within a framework of mutual respect and relations of good-neighbourliness and with a view to promoting security and stability in the region, by refraining from subversive actions against it.

The Arab leaders affirm the sovereignty of the United Arab Emirates over the Greater Tunb, the Lesser Tunb and Abu Musa and express their support for all the peaceful measures it is taking with a view to restoring its sovereignty over the three islands. They urge Iran to end its occupation, to desist from a policy of imposing a fait accompli by force and to pursue peaceful means of resolving the dispute in accordance with the principles and norms of international law, including referral of the issue to the International Court of Justice. The Arab leaders request the Secretary-General of the League to monitor the issue of the Iranian occupation of the islands belonging to the United Arab Emirates and to submit a report thereon to the next Arab Summit Conference.

The Arab leaders express the hope that traditional Arab-Turkish relations and common interests will be maintained. In this connection, they express concern with regard to the Israeli-Turkish military agreement, and they call upon Turkey to reconsider the agreement so as to prevent any encroachment on the security of the Arab States.

The Arab leaders affirm their commitment to the view that the unity of Iraq must be maintained and their opposition to any policies or measures that may affect its territorial integrity or jeopardize its boundaries and national unity. They urge the Iraqi Government to undertake not to embark on any aggressive policies aimed at provoking its Arab neighbours and to implement in full all the relevant Security Council resolutions and especially those requiring it to take the necessary measures to release all Kuwaiti and third-country prisoners and detainees, to return the property seized and to comply with the compensation mechanism. They regard this as the right way to ensure that the sanctions imposed on Iraq are lifted and the appropriate conditions created for Iraq to resume its role in the inter-Arab regional order. The Arab leaders welcome the agreement reached by Iraq and the United Nations for the implementation of Security Council resolution 986 (1995) as a positive step towards mitigating the suffering of the Iraqi people for which the Iraqi Government is responsible. They call for the speedy implementation of this agreement.

The Arab leaders welcome the Agreement on Principles signed by the Governments of Yemen and Eritrea submitting the dispute between them to international arbitration. They also welcome the restoration of peaceful relations between the two countries in the light of their proximity and common interests, given the positive repercussions this will have on the continuity and stability of international navigation in the Red Sea.

The leaders express their deep concern at the human and material losses inflicted on the Libyan Arab people by the harsh measures imposed on it under Security Council resolutions 748 (1992) and 883 (1993). They consider that the failure to respond to the efforts made by the Jamahiriya, the League of Arab States, the Organization of African Unity, the Movement of Non-Aligned Countries and the Organization of the Islamic Conference has greatly delayed a solution to the crisis and has compounded the suffering of the Libyan Arab people. The leaders are of the view that the League's proposal, which has won broad international support, that the two suspects, provided with the necessary guarantees, should be given a fair and impartial trial at The Hague before

Scottish judges and under Scots law, is a workable and appropriate one that could bring an end to the crisis. They therefore call upon the three Western States concerned to adopt a positive attitude towards this proposal so as to end the crisis and alleviate the unjustifiably prolonged suffering of the Libyan Arab people. The Arab leaders further call for the lifting of the sanctions imposed on the Libyan Arab Jamahiriya, particularly since their maintenance could force the Arab States to consider possible means of sparing the Libyan people further losses.

The Arab leaders express their concern at the continuing deterioration of the situation in Somalia and call on the leaders of the Somali factions to meet their responsibilities by achieving national reconciliation, resolving their differences and forming a national authority in which all groups of the Somali people are represented.

While the Arab leaders deplore all attempts to stigmatize legitimate national resistance as terrorism, they condemn those acts of terrorism, sabotage and disruption in all their forms to which a number of States, including Arab States, are being subjected with the aim of undermining their security and stability. They express their support for these States and for the efforts being made and the steps being taken to convene an international conference to address the various aspects of the phenomenon of international terrorism. At the same time, they firmly uphold the inalienable right to resist occupation and aggression.

The Arab Summit took note of the floods that have afflicted the Republic of Yemen, causing loss of life and the destruction of homes and infrastructure in several of the country's provinces. The Arab leaders offer their condolences to the Yemeni people, affirm their support for the Republic of Yemen and urge the relevant international organizations to provide the country with all the assistance and support it may need.

The Arab leaders further agreed to continue their consultations and meetings in order to follow up the implementation of the decisions they had adopted and address developments that might affect the Arab nation. In this context, and in the light of anticipated requirements and circumstances, it was agreed that:

1. President Mubarak of Egypt, as Chairman of the current Summit, should conduct the necessary consultations with Arab leaders and the Secretary-General of the League with a view to taking follow-up action and reaching agreement on the convening of the next summit;

2. The Ministers for Foreign Affairs should be instructed to convene a meeting to review developments relating to the peace process shortly before the meeting of the Council of the League scheduled for September 1996 or as otherwise required.

The leaders expressed their deep gratitude and appreciation to President Mubarak and the people of Egypt for the warm hospitality with which they had been received and for the efficient way the conference had been organized and preparations made. They conveyed to President Mubarak the

assurances of their highest regard and wished the people of Egypt continued progress and prosperity.

RESOLUTION

The Arab Summit Conference, meeting in Cairo from 21 to 23 June 1996,

Having considered the resolutions and communiqués adopted by the Arab Summit Conferences and the Council of the League of Arab States concerning the promotion of joint Arab action and the strengthening of its mechanisms,

Invoking the purposes and principles set forth in the Pact of the League of Arab States,

Inspired by the address delivered by President Mohamed Hosni Mubarak of the Arab Republic of Egypt at the commemorative session held by the Council of the League on the occasion of the fiftieth anniversary of the League of Arab States,

Appreciating the present circumstances of the Arab nation, the challenges to joint Arab action and its organs and the new developments that have taken place at the regional and international levels,

Desiring to strengthen and develop inter-Arab relations in order to serve the higher goals of the Arab nation and safeguard its security,

RESOLVES

1. To agree in principle on:

(a) The establishment of an Arab Court of Justice;

(b) A code of conduct for Arab security and cooperation;

(c) The establishment of a League of Arab States Mechanism for the Prevention, Management and Resolution of Conflicts among Arab States;

2. To entrust the Ministers for Foreign Affairs with the task of finalizing their respective drafts;

3. To refer the proposal of the Libyan Arab Jamahiriya for an Arab Union to the Council of the League for consideration and presentation to the next Arab Summit.

DECISION

In accordance with the goals for the stimulation of joint Arab economic action affirmed in the final communiqué and with reference to resolution 1272 adopted on 6 March 1996 by the Economic and Social Council of the League of Arab States at its fifty-seventh session,

The Arab Summit Conference, meeting in Cairo from 21 to 23 June 1996, decides:

To request the Economic and Social Council of the League of Arab States to take the necessary steps to expedite the establishment of the Greater Arab Free Trade Area in accordance with a programme of action and a timetable to be agreed upon.